

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 9 February 2023	
Meeting time: 10.00	

Registration (09.30–09.45)

Private pre-meeting – Informal (09.45–10.00)

- 1 Introductions, apologies, substitutions and declarations of interest
(10.00)
- 2 Paper(s) to note
(10.00)
 - 2.1 PTN 1 – Letter from the Minister for Finance and Local Government: Further information following the Finance Committee meeting on 14 December – 17 January 2023
(Pages 1 – 4)
 - 2.2 PTN 2 – Letter from the Minister for Finance and Local Government – Proposed Changes to the Budget Protocol – 17 January 2023
(Pages 5 – 28)
 - 2.3 PTN 3 – Letter from the Chief Executive and Clerk of the Committee: Cost-of-living payment for Commission staff – 19 January 2023
(Pages 29 – 30)
 - 2.4 PTN 4 – National Audit Office: Administration of Welsh rates of income tax 2021–22 – 19 January 2023
(Page 31)



2.5 PTN 5 – Letter from the Legislation, Justice and Constitution Committee to the Llywydd: Retained EU Law (Revocation and Reform) Bill – 27 January 2023
(Pages 32 – 44)

2.6 PTN 6 – Letter from the Minister for Finance and Local Government: Finance Inter-ministerial Standing Committee (F:ISC) – 30 January 2023
(Pages 45 – 46)

2.7 PTN 7 – Letter from the Minister for Health and Social Services to the Chair of the Health and Social Care Committee: Health Service Procurement (Wales) Bill – 18 January 2023
(Pages 47 – 48)

3 Financial implications of the Food (Wales) Bill: Evidence session 1
(10.00–10.30) (Pages 49 – 68)

Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd David Lloyd-Thomas, Head of Food Policy & Strategy Unit, Welsh Government

Supporting documents:

[Food \(Wales\) Bill](#), as introduced (PDF, 182KB)

[Explanatory Memorandum](#) (PDF, 1.4MB)

P1 – Welsh Government: Evidence paper

Research Service Brief

Break (10.30–11.15)

4 Financial implications of the Food (Wales) Bill: Evidence session 2
(11.15–12.15)

Peter Fox MS, Member in charge of the Bill

Tyler Walsh, Member of the Senedd Support Staff

Martin Jennings, Research Service

Elfyn Henderson, Research Service

5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

(12.15)

6 Food (Wales) Bill: Consideration of evidence

(12.15–12.30)

7 Audit Wales Fee Scheme 2023–24

(12.30–12.35)

(Pages 69 – 93)

Supporting documents:

P2 – Revised Fee Scheme 2023–24

P3 – Letter from Audit Wales: Revised Fee Scheme 2023–24 – 2 February 2023

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

17 January 2023

Dear Peredur,

Further to the Draft Budget scrutiny session held on 14th December, please find below the further information I agreed to provide; some relating to my portfolio and some relating to other Ministerial portfolios.

Vacant Land Tax

Welsh Ministers have been pursuing the devolution of powers for a vacant land tax since 2018, because of the potential of such a tax to help deliver our housing and regeneration ambitions. The mechanism for devolving new tax powers is set out in the Wales Act (2014).

A vacant land tax would have a limited scope, applying only to land in Wales. It would not reasonably be expected to have a material impact outside of Wales, hence very clearly aligned to devolved responsibilities. Our ambitions for tax powers are not limited to a vacant land tax, but securing powers for a VLT will ensure the process works and set appropriate precedents for how it operates in future. If we are not able to secure the powers for this tax, it is very difficult to believe the process as currently provided for can deliver any new tax powers for Wales.

The UK Government continues to seek further information on the operation of such a tax rather than its suitability for devolution. We have always been clear, the UK Government has a legitimate interest in whether the powers are suitable for devolution but it is for the Senedd, not the UK Government, to be concerned about how those powers are used. In light of our experience of trying to navigate through this process with the UK Government, it is clear to me that the process is not fit for purpose.

I will be seeking to progress this issue with the UK Government through the new inter-governmental relations arrangements and I will keep the Committee informed of developments.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Social Homes

We are committed to supporting local authorities to deliver their housing ambitions. To enable this, we established the 'Scale and Pace' programme in 2020 to support the 11 stock retained local authorities to deliver new homes. Local authorities now have access to the Social Housing Grant and are actively using it to support their programmes. However, a number of additional homes are provided without central assistance and through direct borrowing funded through rental income.

Working with the sector, we have developed and published a renewed Housing Revenue Account (HRA) guidance manual. The manual provides clarity for councils and their tenants on what the HRA can and cannot be used for. This work includes the removal of the 'borrowing cap' in 2019 which previously imposed borrowing limits. Authorities now have significantly more freedom to determine their level of borrowing reflecting their priorities. Much of this borrowing is through the Public Works Loan Board (PWL) offering loans for up to 50 years. We know that increases in the cost of borrowing impact on housebuilding, and this will include local authorities as a result of Public Works Loan Board interest rate rises.

Retail, Leisure and Hospitality Rates Relief Scheme 2023-24

The Retail, Leisure and Hospitality Rates Relief Scheme for 2023-24 will provide support for eligible occupied properties by offering a discount of up to 75% on non-domestic rates bills. The scheme will apply to all eligible businesses, however the relief will be subject to a cap in the amount each business can claim across Wales. The total amount of relief available is £110,000 across all properties occupied by the same business.

Businesses occupying more than one property will be entitled to Retail, Leisure and Hospitality Rates Relief for each of their eligible properties, within the cap of £110,000 per business across Wales.

Businesses will be required to make an application to their local authority for this relief scheme. The application includes a declaration that the business meets the eligibility criteria and confirms that the amount of relief they are seeking across Wales does not exceed this cap. Where 75% of liability across a business's properties exceeds £110,000, businesses are required to specify which properties they would like the relief to apply to. Businesses may choose which properties they seek relief for.

A very similar relief scheme, providing 50% relief which is subject to a cap of £110,000 per business across Wales, is being provided in 2022-23. Guidance on the current scheme is published at the following link and similar guidance for the 2023-24 scheme will be published soon: <https://businesswales.gov.wales/non-domestic-rates-retail-leisure-and-hospitality-rates-relief-wales-2022-23>.

Primary Care Actions

A range of national actions to support the rebalancing of the health and care system into a locally accessed wellness service is led through the Rebalancing Care Programme, the Strategic Programme for Primary Care and the Six Goals for Urgent and Emergency Care. From 2023-24 the Planned Care Programme will begin to drive the implementation of national care pathways, designed to move from an episodic, medical model of care to a whole person and lifetime social model with more emphasis on self-care, prevention, and local services.

Key actions to help bring local services together to collaborate through clusters and to deliver better access to the right professionals include:

- *General Medical Services* –the Welsh Government is investing over £17million in General Medical Services (GMS) through the GMS contract agreement for 2022-23. This agreement was announced on 28 October 2022 as a result of tripartite negotiations between Welsh Government, NHS Wales and GPC Wales and sees contract changes which will improve services for patients and reduce the administrative burden for GPs, enabling them to focus on providing high-quality care.
- *Community Pharmacy* – there is continued investment via the Community Pharmacy Contractual Framework to provide the Clinical Community Pharmacy Service and Community Pharmacy Independent Prescribing Service across Wales, supporting people to have access to free advice and treatment in the community, often without the need to wait for an appointment.
- *Integrated Health and Care Centres* – the Programme for Government commitment to develop integrated health and social care community hubs and centres provides an opportunity to support the delivery of seamless services through creating local single points of access and co-location of staff and services delivering integrated care pathways. Projects will be fully aligned to the principles of the Primary Care Model for Wales and A Healthier Wales: Long Term Plan for Health and Social Care (2019), in providing a whole system approach that demonstrates integration of health, social care, local authority and voluntary sector services.
- *Dentistry* – funding of £167.7million is allocated to health boards for the provision of NHS dental services per annum. This is supplemented by the Patient Charge Revenue giving a total budget of just under £202million. The dental budget has been increased in line with the Doctors and Dentists Review Body recommendation for 2022-23 with no reduction proposed in the Draft Budget for 2023-24. We are currently working on a programme of reform in dentistry which aims to move from a system based on achieving Units of Dental Activity (UDA) to a system that can address inequalities by focusing on the risks and needs of patients but built on a foundation of prevention. This approach will improve access and quality of services.


Private Finance Initiative Schemes

Please see below a list of the PFI schemes in Wales that are ending in the next five years:

Scheme Name	Procuring Authority	Operational End Date
Lloyd George Avenue and Callaghan Square	Welsh Government	18/12/2025
Chepstow Community Hospital	Aneurin Bevan Health Board	01/02/2025
Day Surgery Unit Nevill Hall Hospital	Aneurin Bevan Health Board	01/07/2024
Energy Management Nevill Hall Hospital	Aneurin Bevan Health Board	18/12/2026
Staff Residences Royal Glamorgan Hospital	Cwm Taf Health Board	01/10/2028

I hope you find the above helpful, and please let me know if you require any further information.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive style with a period at the end.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Peredur Owen Griffiths MS
Chair of Finance Committee
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17 January 2023

Dear Peredur,

Proposed Changes to the Budget Protocol

Thank you for your letter dated 9th December requesting a review of the current Budget Protocol.

I acknowledge the exceptional circumstances which have needed to be implemented over the previous years due to the uncertainty of UK Government fiscal events and the impact this has on our own preparation time. I am also aware this protocol was initially constructed with a view to a Spring UK Government Budget, and a two stage Welsh Government Budget due for publication in October.

Despite these circumstances, the current Budget Protocol has proven effective in providing us the flexibility needed in response. I am grateful for the constructive approach taken by the Finance Committee during the period and the introduction of important elements such as the Finance Committee debate prior to the summer recess.

I do recognise, however, that this has also not provided you with the certainty you require in order to scrutinise the Draft Budget. As we continue to face added UK Government indecision on when fiscal events will take place - such as the recently announced UK Spring Statement on 15th March, days after our Final Budget - it is worth considering how we can better adapt to these circumstances.

On this basis, I suggest we meet to discuss how best we approach the changes you have helpfully put forward. I would also suggest that your Clerk and supporting officials work with my officials over the next few months to further explore this work and areas where we may have common ground in terms of changes needed.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I will ask my officials to contact your clerk to make the arrangements, I am also copying this letter to the Chair of the Business Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive style with a period at the end.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Peredur Owen Griffiths MS
Chair of Finance Committee
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19 January 2023

Annwyl Peredur,

Cost-of-living payment for Commission staff

In its report published in October 2022, *Scrutiny of the Senedd Commission Draft Budget 2023-24*, the Finance Committee recommended that the Senedd Commission considers providing additional support for lower paid staff and/or staff who may experience difficulties as the effects of the increases in living costs are felt.

You echoed this point during the Plenary debate on 23 November 2022 to consider the Senedd Commission Draft Budget for 2023-24.

Since then, the Commission has been exploring ways of achieving this against a financial backdrop which demands careful prioritisation and some difficult decision-making.

Beyond the support already offered to all Commission staff, such as the Employee Assistance Programme and Hardship Advance, the Commission has looked at options to offer direct financial assistance to as many staff as possible. Deliberations have focused on supporting those on the lowest grades.



I write to notify you that Executive Board has secured Commissioners' support to make a series of non-consolidated payments amounting to a fixed sum of £500 to all staff currently within the Team Support and M3 (EO) grades, earning less than £32,000 FTE, and in employment as of 1 January 2023, payable in three instalments (January through to March).

This payment is affordable following careful consideration of our overall year-end position, ensuring sensible and proportionate contingency is in place, and undertaking a further, robust review of our Project Fund allocations for the remainder of the current financial year.



The proposal is being communicated to all Commission staff today (Thursday 19 January) and I would be pleased to answer any related questions you may have.



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Yn gywir,

Manon Antoniazzi

Manon Antoniazzi

Prif Weithredwr a Chlerc y Senedd / Chief Executive and Clerk of the Senedd

Croesewir gohebiaeth yn Gymraeg neu Saesneg. We welcome correspondence in Welsh or English.





National Audit Office

Comptroller and Auditor General
Gareth Davies

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Agenda Item 2.4

The UK's independent public spending watchdog

Switchboard [REDACTED]
Email [REDACTED]

Date 19 January 2023

Dear Peredur,

ADMINISTRATION OF WELSH INCOME TAX 2021-22

I am pleased to be able to share with you [my report on the Administration of Welsh rates of income tax 2021-22](#), which has been published today.

I should be very happy to discuss the findings of my report with you and other members of the Committee, if you would find this useful.

Yours sincerely,

GARETH DAVIES



—
**Legislation, Justice and
Constitution Committee**

Rt Hon Elin Jones MS
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Chair, Business Committee

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27 January 2023

Annwyl Lywydd

Retained EU Law (Revocation and Reform) Bill

Further to my letter of 21 December 2022 in relation to the Retained EU Law (Revocation and Reform) Bill, at our meeting on 23 January 2022 we considered a letter from the Counsel General (dated 19 January) which responds to a series of questions we asked following the Counsel General's attendance at our meeting on 5 December. On 23 January, we also considered your letter of 19 January, in which you asked if we could continue to draw relevant matters to the attention of Business Committee, in particular those aspects with potential implications for Senedd Business.

The Counsel General's letter of 19 January provides an update on the Welsh Government's approach to the Bill, as well as information on how it is reviewing retained EU law, matters related to capacity and resource, and the impact on and role of the Senedd.

We agreed that we would draw the correspondence to your attention, and to the attention of relevant Senedd Committees.

Yours sincerely,



Huw Irranca-Davies
Chair

Mick Antoniw AS/MS

Y Cwnsler Cyffredinol a Gweinidog y Cyfansoddiad
Counsel General and Minister for the Constitution



Llywodraeth Cymru
Welsh Government

Huw Irranca-Davies MS
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19 January 2023

Dear Huw,

Thank you for your letter of 14 December seeking responses to questions following my appearance on 5 December in relation to the Retained EU Law (Revocation and Reform) Bill. We are grateful to the Committee for its dedicated work to consider the implications of this Bill.

The responses to your questions are set out in an Annex to this letter. However, to contextualise these correctly, I would like to make two important and fundamental observations that the Committee might wish to consider in its work on the Bill.

Firstly, the Welsh Government fundamentally opposes the whole intent of the Bill. In general, our position is that retained EU law, like EU law before it, works well. Consequently, beyond gradually amending the law as appropriate with evidence-gathering, public consultation, and legislative scrutiny in the normal way, over time as with any body of law, we had no intention to repeal, revoke or amend REUL to an arbitrary deadline on ideological grounds. However, simply to propose legislation such as this that, by default, would repeal essential economic, social and environmental protections is unacceptable and irresponsible. This is especially true because of the use of valuable time by governments and legislatures when a good deal of this work will be merely to maintain in law those essential provisions that the Bill would otherwise automatically remove. This nugatory work has no demonstrable benefit to anyone and is a regrettable use of finite resource in both the Welsh

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Government and the UK Government, caused by the decisions made by UK Government Ministers.

Secondly, the Bill is essentially an enabling Bill and its full implications will be influenced by policy choices of UK Government Ministers about which pieces of legislation should be retained, amended, or left to sunset. Unless and until that detailed information is provided, we are all working in a very uncertain situation, with the obvious attendant difficulties that that causes both for the Welsh Government, and for your Committee in a scrutiny role. I hope we can continue to engage collaboratively in dealing with this Bill in these regrettable circumstances, recognising our distinctive institutional roles but also common interests in relation to the integrity of the devolution settlement.

Yours sincerely,

A handwritten signature in blue ink, reading "Mick Antoniw". The signature is written in a cursive style. Below the signature is a short horizontal line.

Mick Antoniw AS/MS

Y Cwnsler Cyffredinol a Gweinidog y Cyfansoddiad
Counsel General and Minister for the Constitution

ANNEX

Wales-made REUL

- 1. You told us that the Welsh Government's focus "has got to be firstly to ensure that we analyse and retain our own EU retained law, that we focus on that law that's been made within Wales" (RoP, 242). Has that analysis been completed? If not, what is your target date for its completion?**

We are working to have a settled list of this REUL as soon as we are able to do so. This is a complex task and we will be happy to update your Committee on progress.

Reviewing REUL

- 2. You and your officials said that Welsh Government policy teams are working closely with their Whitehall counterparts to analyse spreadsheets of data prepared by those Whitehall departments "to see whether [you] agree with that analysis" (RoP, 242 to 254). What is the target date for the completion of that work?**

While we have received some information from the UK Government this is not comprehensive. We are continuing to receive this in something of a piecemeal fashion but are considering and assessing it as we receive it. We hope to have a more complete picture in the near future so that we can conduct a proper assessment of it.

Welsh Government's approach

- 3. Has the Welsh Government had any reassurance from the UK Government that it will not change or remove devolved REUL without the consent of the Welsh Government? If so, does the UK Government intend to amend the Bill to reflect this commitment?**

We remain in dialogue with the UK Government on this issue, but still await the necessary reassurance.

- 4. You told us that "if you don't take measures to be able to identify and understand what it is you want to retain, then everything else is going to go." (RoP, 295). You also told us that you have not yet decided on your approach to retaining REUL but that you want to "make sure that [the Welsh Government] focus on those areas that are most important to us".**

- a. Can you therefore confirm that you do not intend to save all REUL in devolved areas?**
- b. On what basis will you decide which areas are most important to the Welsh Government?**
- c. Can you tell us which areas these are, or if not, when you will be able to tell us?**
- d. What are the risks to the areas deemed not important or less important and how have they been determined?**

e. How will you mitigate and manage the risks associated with this, particularly if you are not carrying out your own impact assessment (RoP, 256)?

It is not our intention to allow REUL in devolved areas to come to an end, unless there are very good reasons for this to take place. However, as a matter of good governance, our final position on specific instruments will need to take into account what the UK Government decides in relation to existing REUL for England; or in relation to existing REUL on reserved matters that impacts on devolved matters in Wales. Where the UK Government wishes to review any piece of REUL that impacts on a devolved matter, we would expect the UK Government to work collaboratively and pro-actively with us on this.

Further to this our ambition is to retain all REUL pertaining to Wales, subject to the caveat above.

5. You told us that you may adopt a “triage approach”, where you try to “identify those that are most obviously relating to devolved issues that may be the most important issues, rather than technical issues, so that we make sure we focus on those areas that are most important to us” (RoP, 277). What do you mean by “technical issues”?

We await a mature and comprehensive list of REUL, and statements of policy intent regarding REUL instruments, from the UK Government. Given the complexity of the interrelationships between and within REUL across the UK, knowledge of the detail of the UK Government’s intentions will help to inform our analysis of the pieces of REUL that could be retained without creating complexities (and so require a technical piece of work to preserve them but no more), and those which require a more substantive consideration of whether we should retain them and how, for example because the UK Government is proposing to repeal or amend them in relation to England or in relation to reserved matters that impact on devolved matters in Wales.

6. You told us that you think the Bill has created a great deal of uncertainty for the Welsh Government. However, stakeholders have accused you of ‘fuelling’ / exacerbating this by not clearly setting out your approach. To what extent could the Welsh Government reduce this uncertainty?

7. What will the Welsh Government do to reassure stakeholders of its overall strategy in relation to REUL and about the steps it is taking to address their concerns?

Regarding Questions 6 and 7, as set out in the covering letter, the Bill is a UK Government initiative with which we do not agree. It is its commitment to the Bill, without clarity on what will happen to each piece of legislation, which is creating the uncertainty. Our ability to mitigate that for stakeholders in Wales is very limited until we have that clarity from the UK Government. We plan to engage with both the Senedd, and with stakeholders, on this work.

8. You told us “We will want to retain law and not see any diminution of standards. So, we will want to ensure that we retain those standards out of

this.” (RoP, 277) How will you maintain or improve standards if they are weakened or reduced under the Bill, either by omission or by action taken by the UK Government?

The Welsh Government’s position is clear as above at Question 4: We have no desire or intention to repeal, or allow to end through the Bill, any REUL that applies to Wales and is within devolved competence, unless there are very good reasons for this to take place. However, as outlined above, the issue of cross-border divergence means that we will want to take into account the UK Government's position and intentions when making our decisions regarding the implications for Wales in certain policy areas of taking particular approaches.

Saving REUL

9. You said “The complexity comes in knowing the scale of what we're going to do. If, for example, in a whole large area of these 3,800-plus pieces of legislation, the UK Government equally decides that what they should do is retain a large number of them, then that actually solves part of that problem. It solves part of that problem and it makes it a lot easier to manage those areas that have not been retained.”

a. This suggests to us that the Welsh Government will defer decision-making and action to the UK Government to make regulations. Is this correct? Do you have concerns for what this approach means for Wales, including the Senedd?

Our preference is to maintain all REUL that applies to Wales, unless there are very good reasons not do this. Broadly, if the UK Government maintains a piece of REUL for England, then we will very likely do the same in relation to devolved matters in Wales. The mechanics by which this would be achieved will also need to be considered.

b. Will the Welsh Government wait to see what the UK Government saves and subsequently decide what it may need to save itself?

As stated in answer to a. above, our preference is to maintain all REUL that applies to Wales, unless there are very good reasons not do this. However, if the UK Government decides to change REUL on the English side of the border, there are complex policy decisions to be made. Each of these areas of change to the status quo initiated by the UK Government would require a proper assessment of the economic, social and environmental implications and risks for Wales. Similar considerations will need to be made in relation to proposed UK Government changes to reserved legislation that impacts on devolved matters in Wales.

Amendments

10. In addition to the single amendment to the Bill we know you have requested (in relation to the Welsh Ministers having the ability to extend the sunset date up to 23 June 2026), you said that you would be “encouraging changes to be made that give us the guarantees that we have sought” and you specifically

mentioned concurrent powers in the Bill and the powers of the law officers in devolved Governments (RoP, 285). You also said that the Welsh Government would “do the normal things in terms of briefings, in terms of discussions, in terms of engagement with the UK Government and interested parties, who will all make their own representations” (RoP, 289).

- a. What specific changes to the Bill are you seeking?
- b. Can you confirm that you have made formal requests to the UK Government and, if not, when will you do so?
- c. Why are your suggested changes not detailed in your LCM, which only lists one amendment put forward, for consideration by this Committee and wider Senedd?
- d. You said that we can expect the Welsh Government to put forward further amendments and that you have set these out. When will the Senedd have the opportunity to scrutinise these?
- e. You mention that an option available to the Welsh Government is to rely on others to bring forward amendments which reflect your position rather than acting collaboratively. Could you provide more information on this and confirm who the “others” might be?

We have engaged with the UK Government over several months on the concerns that we have with the Bill. As set out in the Legislative Consent Memorandum, these include not only who can exercise the power to extend the sunseting deadline but also the issue of consent for the exercise of concurrent powers by UK Government Ministers in devolved areas, the sunseting deadline itself, the regulatory burden and the intervention and reference powers exercisable by the Law Officers within the UK. We have sought changes to the Bill on all these matters. We have raised these concerns in correspondence with the lead UK Ministers for the Bill, in Ministerial meetings and in my written response to the Public Bill Committee on the Bill, with the objective of having them addressed through amendments.

While we have hoped for progress and for common sense to prevail, UK Government Ministers have yet to give us reassurance that they are willing to make changes to the Bill to address our concerns.

Alongside seeking to secure changes to the Bill from UKG, the Bill was among those topics discussed with members of the House of Lords last week.

11. Under clause 15 of the Bill, Ministers will be prevented from increasing the regulatory burden when revoking or replacing REUL. You described this as a “constraint that is totally unacceptable” (RoP, 269). Why have you not, therefore, requested an amendment to remove this constraint from the Bill?

Please see the answer to question 10 above.

12. You have previously commented on the enormous powers that will be given to Ministers via this Bill. You told us that these are “powers that, in normal circumstances, you would not wish to give to governments”. You also said “it’s not a question of whether we want them; we will probably have no choice because if we want to do anything about retaining legislation that maintains

standards and so on, things that we agree with them in devolved areas, then we're going to have to exercise them” (RoP, 291). Have you requested that the Bill be amended to uplift the scrutiny procedures attached to the powers if and when they are exercised by the Welsh Ministers?

As noted above, we have strongly expressed our concerns about the Bill to the UK Government. However, if passed as drafted we will have to exercise the powers conferred on the Welsh Ministers in order to make decisions about REUL in devolved areas, where possible, as part of our work to defend the devolution settlement. However, the Legislative Consent Memorandum sets out our concerns that the sunset provision will mean that parliament and the devolved legislatures will have no scrutiny or oversight role where REUL is allowed to sunset automatically and will likely not provide sufficient time for effective consultation on proposed modifications to REUL, which could result in unidentified issues and potential negative impacts, for example on protected groups.

Divergence and disputes

13. Have you identified any areas where you have policy intentions which diverge from those of the other governments of the UK?

Since the detailed and comprehensive policy intentions of the UK Government in any given area are either not yet clear or are just emerging, it is not possible to give a definitive answer to this at this stage.

14. When we asked you how disputes could be resolved you told us that the new inter-governmental process that has been established “is probably not going to be particularly ideal process” and “It may be that you can create something specifically to try and resolve those disagreements” (RoP, 279).

- a. Can you clarify why the recently created structures for intergovernmental dispute resolution would not be the appropriate structures to use to resolve any disputes in this area?**
- b. Can you confirm that, where relevant, disputes would go through the relevant common framework process in the first instance?**
- c. Given the need for timely action because of the 31 December 2023 sunset date, how realistic is it that a new dispute resolution process could be created?**

We will always reserve the right to escalate issues within the Dispute Avoidance and Resolution procedure agreed following the joint Review of Intergovernmental Relations (IGRR), wherever it becomes appropriate to do so. The resolution process in the IGRR should be seen as part of a much wider system of active IGR, and as a process of last resort. This is embedded into the machinery it sets up – it is agreed that machinery should “promote dispute avoidance by ensuring there are effective communication and governance structures at all levels, from working-level officials to ministers”. As you will know, the Dispute Avoidance arrangements are without prejudice to the legal provisions within the devolution settlements which govern matters relating to legislative competence. We would always need to consider the

appropriate forum to which to take our concerns, particularly where there is a dispute as to whose competence a piece of legislation is within.

Common Frameworks will play some part in elements of dispute resolution related to REUL, though the timescale available to undertake this work will massively impact the ability to engage fully in this process, along with the fact that not all areas of REUL are covered by a Common Framework.

The current sunseting deadline means it is unrealistic that a suitable dispute resolution process could be created in time to service the process appropriately. This is the responsibility of the UK Government, not the Welsh Government.

Capacity and resource

15. The First Minister told the Scrutiny of the First Minister Committee on 9 December that, as the Welsh Government has no spare capacity, “diverted capacity” will be needed away from its legislative programme to work on the Bill. Given the First Minister's comments, when will decisions be taken about when and where resources will be diverted, and will you commit to updating the Senedd as soon as decisions are made?

16. You told us that the Welsh Government wants to deliver its legislative programme but there was uncertainty around the demands the Bill will place on resources. Are you coordinating Cabinet discussions regarding your concerns about delivery of the legislative programme?

Regarding Questions 15 and 16, for the reasons set out above, it is not possible to assess fully the scale of the impact on the legislative programme until we know the detail of the UK Government's plans for REUL as it applies in England, particularly the extent to which it intends to amend this body of law.

Discussions on this matter will continue between Ministers as the situation develops as will our liaison with the Senedd on the legislative programme.

Impact and role of the Senedd

17. You also said “I think one thing is clear: it makes the sort of detailed scrutiny and the timescale for that scrutiny incredibly difficult” and “we have to look at how that will work”. You told us that there is “going to be a need for very close co-operation between the Government and the Senedd in terms of an understanding as to precisely what is required, what is happening and how we best manage that. It's not just an issue for the Welsh Government; obviously, it's an issue for the Senedd itself, in terms of how it scrutinises and assesses those steps as well” (RoP, 307).

- a. **How will the Welsh Government maximise the scrutiny opportunities afforded to the Senedd?**
- b. **How will the Welsh Government involve the Senedd in determining what is required as a consequence of the Bill?**

In general, it is premature to answer this question with complete precision as we are again seeking comprehensive information from the UK Government about its decisions.

I would expect the Senedd to have the opportunity, in the normal way, to scrutinise any proposals regarding REUL. We will engage with the Senedd on this.

The task of determining what is required is difficult to quantify, or to identify precisely. I would expect Ministers to keep the Senedd informed by way of Ministerial Statements once the task is clearer.

18. You did not confirm to us that you are liaising with the Llywydd and the Business Committee regarding the potential impact on the Senedd’s timetable. Could you confirm that discussions are taking place? If not, is the Welsh Government waiting on clarity from the UK Government before doing so?

We will certainly be in contact with the Llywydd and Business Committee regarding the Senedd’s timetable once we have sufficient information from the UK Government to be able to have meaningful discussions about the potential implications.

Regulatory landscape

19. Would the Bill introduce a regulatory ceiling?

The power within clause 15 of the Bill to revoke or replace includes a requirement that any changes to, or replacement for, a piece of REUL, cannot “increase the regulatory burden”. However, the precise meaning of this in the context of the Bill is not clear, though the Bill appears to have been drafted so as to mean that what could be considered a regulatory burden can be interpreted very widely. Moreover, the UK Government has made no particular policy statement on the meaning of this provision.

However, the nature of the Bill, and potential UK Government changes to REUL, may arguably increase the regulatory burden for some businesses, at least in the short term, as they adjust to new standards, even if they are lower.

20. How could the Bill impact the Welsh Government’s policy and ability to improve standards, where possible, post-Brexit?

The Bill fundamentally fails to appreciate how the principles of devolution need to be applied in the field of regulatory policy in the UK, now that it has left the EU. There are also concerns that the effects of the UK Internal Market Act will have further impacts should regulatory divergence occur (for example through the UK Government amending or repealing REUL for England). This could have significant implications for the ability to maintain and improve standards, in effect, in REUL in Wales.

21. The UK Government has stated that environmental protections will not be weakened and that the devolved nations can preserve legislation within

competence. Which environmental protections will the Welsh Government preserve?

The Welsh Government has no intention to weaken existing environmental protections, the majority of which are derived from REUL. We intend to consider all options and, as a minimum, will be working to seek to ensure that REUL on environmental protections is assimilated by the sunset deadline.

Stakeholders

22. You told us “There’s going to have to be engagement with stakeholders because we’re going to have to have that understanding of some of the steps that have been taken. I think the problem is, at this stage, it’s not completely clear who we will be engaging with, to what extent, and within what framework.” (RoP, 350)

- a. **Could you clarify whether the Welsh Government is engaging stakeholders on the Bill at this stage, or when it plans to if this is not yet the case?**
- b. **You identified agriculture and environment as areas where there will be a “big focus” which you anticipate to be “very intense” (RoP, 323). Is the Welsh Government prioritising stakeholder engagement in these fields?**
- c. **How will you engage stakeholders in order to determine what issues are important to them?**

We have already made clear our general concerns about the Bill and opposition to it. The real engagement will need to be with stakeholders on a sectoral basis in light of the UK Government’s decisions about changes to REUL that it intends to make.

The areas you refer to account for a significant amount of the REUL that is within devolved competence. Accordingly, we will expect to engage with stakeholders in those areas as fully as possible, once the UK Government’s approach is clear.

Agriculture Bill

You told us that the Agriculture Bill “contains within it elements of retained EU law, and there may be issues that will arise during this process that need to be addressed; it’s just not clear what they might be at this stage” (RoP, 335).

23. Why was it appropriate to use the Agriculture Bill as a vehicle to provide broad powers for the Welsh Ministers to amend retained EU law when the Welsh Government has undertaken no analysis of the implications of the REUL Bill in this policy area?

As indicated above, we are considering our response to the situation, in effect, imposed by the UK Government on reviewing REUL. In general our position is that retained EU law, like EU law before it, works well and, consequently, beyond gradually amending the law as appropriate over time as with any body of law, we had no

intention to repeal, revoke or amend REUL to an arbitrary deadline on ideological grounds.

Furthermore, there is currently no certainty as to what the final version of the REUL Bill will look like, whether it will actually proceed to Royal Assent, nor what will happen to each piece of REUL. As a result, the Agriculture (Wales) Bill is proceeding on the basis of what is currently known.

24. Is it the Welsh Government's intention to save the REUL on which the Agriculture Bill relies under the REUL Bill? What happens if the REUL on which it relies is revoked by the UK Government? Is the UK Government aware of the Welsh Government's need for the REUL to remain in place for the operation of the Agriculture Bill?

As currently drafted, the REUL Bill has powers which the Welsh Government could exercise to preserve REUL in areas of devolved competence. The Welsh Government is considering how it will respond to this Bill and is working with the UK Government to identify all devolved REUL, including those instruments made by the UK Government and Parliament.

25. When do you anticipate being in a position to understand the breadth and detail of any issues which need to be addressed during the passage of the REUL / Agriculture Bills?

We will continue to engage and, in parallel, are considering how to respond in the coming months as the new UK Government's position on the REUL Bill is understood.

26. Is it your intention to make amendments to the Agriculture Bill to address any such issues?

As above, we will continue to engage and are considering how to respond as the new UK Government's position on the REUL Bill is understood.

27. Does the Welsh Government intend to adopt this approach of taking broad executive powers to deal with the uncertainty of REUL rather than bring forward primary legislation when the picture is clearer

As above, we will continue to engage with the UK Government and are considering how to respond as its position is understood. In the meantime, there are no plans to change the executive powers in the Agriculture (Wales) Bill.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

30 January 2023

Dear Peredur,

I am writing to inform you a meeting of the Finance: Interministerial Standing Committee (F:ISC) will take place on 9 February.

The focus of the meeting will be on UK economic and fiscal plans and EU replacement funding.

The UK Government is in the process of finalising its supplementary estimates for 2022-23. I will be highlighting the challenges this process presents for the Welsh Government budget, building on previous discussions in regard to providing greater funding certainty for devolved governments.

With the UK Spring Budget confirmed to take place on 15 March, I will be reiterating previous asks of the UK Government to provide the necessary support to protect public services and respond to the inflationary, pay and other cost pressures. With this year marking 75 years of the NHS, I will be requesting investment from the UK Government in our NHS and social care sector to respond to the significant pressures it is facing and to deliver wider reform.

The EU replacement funding item will be the first time we have had a substantive discussion on this issue. I will be highlighting the impact UK Government decisions have had on Wales and the financial shortfall of £1.1 billion¹. I will be seeking a commitment from the UK Government to address the loss of funding and enable greater devolved involvement in the use of replacement structural funds. For this item an invite has been extended to the Parliamentary Under-Secretary of State for Levelling Up, Housing and Communities.

¹ [Written Statement: Loss of funding to Wales as a result of the UK Government's arrangements for replacement EU funding \(4 May 2022\) | GOV.WALES](#)

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Under AOB I will be highlighting the publication of the interim report by the Independent Commission on the Constitutional Future for Wales.

Alongside the F:ISC I have also requested a bilateral meeting with the Chief Secretary to the Treasury to discuss Wales specific issues including fair funding for Wales and decarbonisation.

I will report to the Committee on the outcome of the meeting.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Russell George MS
Chair, Health and Social Care Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

18 January 2023

Dear Russell,

HEALTH SERVICE PROCUREMENT (WALES) BILL

I'm writing to advise that the Government will introduce a Health Service Procurement (Wales) Bill to enable the introduction of a bespoke procurement regime which will apply to Welsh NHS health services. The short Bill, which runs to five sections, will make provision for:

- A "disapplication power" which will enable the Welsh Ministers to disapply relevant legislation by Senedd Cymru and the UK Parliament which otherwise would apply to the procurement of Welsh NHS health services; and
- A "creation power" to enable Welsh Ministers to introduce, via regulations, a new separate procurement regime for these NHS health services in Wales.

The Bill and potential subordinate legislation will seek to give organisations such as the NHS and local authorities in Wales the ability to implement more flexible procurement practices when sourcing health services in Wales. To enable subordinate legislation to be brought forward as quickly as possible, the Government will propose an expedited timetable for the Bill that will enable it to reach Stage 4 prior to the summer recess. Further detail regarding implementation will be provided in the Government's Business Committee paper.

Milestone	Date
Introduction	Monday 13 February 2023
End of Stage One	Friday 28 April 2023
General Principles Debate	Tuesday 9 May 2023
Stage Two	Wednesday 10 May 2023 – Friday 9 June 2023
Stage Three	Tuesday 4 July 2023
Stage Four	Tuesday 11 July 2023

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

To facilitate delivery of this Bill, I am happy to work flexibly with the Committee and would like to offer the Committee a technical briefing on the Bill with my officials to aid their understanding of the proposal.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "M. E. Morgan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eluned Morgan AS/MS

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Finance Committee

The Food (Wales) Bill

A paper from the Minister for Rural Affairs and North Wales, and Trefnydd

Summary

1. The Welsh Government opposes the Food (Wales) Bill on the grounds it is unnecessary, would create bureaucracy and additional cost for numerous public bodies and, most significantly, it would undermine the legislative and governance framework established already in Wales for strategic planning, policy making and long-term action put in place by the Well Being of Future Generations (Wales) Act 2015 (WFG Act).
2. This paper presents general comments about the value for money the Bill would provide if passed, and also specific comments about the cost estimates made in part 2 of the Explanatory Memorandum.

Value for money

3. The Explanatory Memorandum only provides two options, 'do nothing' or legislate. There is no examination, even in outline, of alternative options to improve policy making and the co-ordination of policy delivery using the legislative framework which already exists through the WFG Act. The Explanatory Memorandum refers¹ to the Bill being drafted to be consistent with the WFG Act but it does not explore how the framework established by the WFG Act could be used in ways it might not be already, or if aspects of how it is being put into action could be changed, to address the Bill's goals instead. In the absence of considering these alternative non-legislative options it is not possible to fully consider the question of whether the Bill offers value for money compared to the full range of possible alternative options.
4. With regard to the narrower question of the costs of the options presented in the Explanatory Memorandum, passing the Bill as drafted or doing nothing, the Welsh Government's position is the estimated cost is not good value for money. The Explanatory Memorandum presents very conservative cost estimates of between £4,729,250 and £8,584,370². These are new and recurrent costs. I comment further on the detail of the costings but taken at face value these top-line figures would create notable, additional public expenditure without any guarantee of specifically better outcomes for the public. The Bill would create a linked system of target setting, planning at national and local levels, reporting and reviewing. But there is nothing in the Bill or explained in the Explanatory

¹ Explanatory Memorandum paragraph 148.

² Explanatory Memorandum paragraph 325, table 3.

Memorandum that provides categoric assurance about how such activity would specifically improve activities already happening or activities which are not happening but could take place under the current legislative framework. There is risk the duties imposed would simply generate the bureaucracy of a circular system of planning and reporting, distracting public body attention and resource from current and proposed policy, and potentially leading to outputs and outcomes which do not add anything materially additional or different. The situation would be complicated by the creation of the Welsh Food Commission (WFC) with its functions to provide advice, inform, assist, and to provide oversight. The lack of clarity between the WFC's functions and for example the WFG Commissioner and the Food Standards Agency are also risks which could cause wasted effort or unintended outcomes.

Cost estimates

5. The Welsh Government accepts the technical calculations made in part 2 of the Explanatory Memorandum appear to be broadly correct, although we suggest it would be better to use a ten year appraisal period to cover the cost cycle more fully rather than the five year approach adopted³. However, the estimates underestimate the work involved and therefore the resource needed. Overall the Welsh Government suggests the Bill would cost considerably more to implement than estimated.
6. The Explanatory Memorandum states it is not possible to quantify savings which arise from the Bill given these will be informed by the content of the national food strategy⁴ nor is it possible to estimate the cost savings which arise from work in Welsh Government no longer being needed or benefitting from improved functioning of policy⁵. The Welsh Government contends no savings will arise because it will still be necessary to undertake current and planned policies with all the consequential work which arises within Welsh Government or between Welsh Government teams and stakeholders. A national food strategy will not take the place of detailed policy making and operational plans. We anticipate other public bodies will also need to continue what they currently do without any saving of effort or cost.
7. The costs and benefits of implementing the national strategy and local plans are currently unknown. Given the uncertainty around the detail of those plans, Welsh Government recognises that any attempt to assess the costs and benefits at this stage would carry a high risk of producing inaccurate and potentially misleading estimates. However, we would have expected to see some indication of how value for money considerations will be incorporated into the development of the national strategy and local plans.

³ Explanatory Memorandum paragraph 325, table 4

⁴ *ibid* (end re 'cost savings' p72).

⁵ *Ibid* and paragraph 327.

8. The WFC accounts for most of the estimated costs but only a broad estimate ranging from £0.75m to £1.5m per annum is presented⁶. This is based on estimates for a similar body in Scotland which has not come into operation yet and a high-level comparison of ongoing costs for the existing Welsh Commissioners⁷. These are relevant comparisons but the range of estimated cost reflects the uncertainty around the scale and scope of any new Commission, which would be for agreement between Welsh Government and the Commission chair. The Welsh Government can only conclude the WFC would be a significant additional cost, without any confidence of it creating any savings, and that more certainty about the cost could only be achieved by more detailed assessment of the exact model proposed for the WFC.

9. The cost estimates for the Welsh Government resource to produce the national food strategy and 'deliver related work'⁸ (which we interpret to mean discharging functions to create and lay targets in the Senedd, and to establish the WFC and consult with it) fall well short of what would probably be required. The Explanatory Memorandum estimates it would require just three part time officials (a fifth of a Grade 7, a fifth of a Higher Executive Officer, and one day of Deputy Director time) costing £29,170⁹. We note the Explanatory Memorandum has used information from the Scottish Government but our current understanding from Scottish Government is the work of putting the Good Food Nation (Scotland) Act 2022 into action is requiring more staff resource than anticipated. A comparison of the resource required to create proposals for a new strategy for the Welsh food and drink manufacturing and processing industry, and to launch [consultation](#) on that, is instructive. Work commenced in April 2018 to scope policy, shape and test proposals, leading to a consultation document published in July 2019 (approximately 15 months). The work involved these core resources and costs per annum¹⁰:

Approximately 0.3 Grade 7 - £26,019
1 full time Senior Executive Officer - £66,364
1 full time Higher Executive Officer - £52,774
0.95 Higher Executive Officer - £50,135

(In addition there was support from time to time from communications officials, graphic design, economists, time given by policy teams whose work includes some connection to food policy, and some Deputy Director level input.)

⁶ Explanatory Memorandum paragraph 325, table 4 and paragraph 364 onwards.

⁷ Paragraph 365.

⁸ Explanatory Memorandum paragraph 374

⁹ Ibid and Table 7.1.

¹⁰ Using Welsh Government annual average gross costs for 2022-23.

Using Welsh Government annual average gross costs the project had a notional core cost of £195,292 per annum, amounting to £244,115 over the 15 month period.

10. In addition to the above a significant element of the work to be done will be drafting and laying regulations about the targets¹¹ by the affirmative procedure. This will require legal resource not taken account of in the Explanatory Memorandum.
11. The Welsh Government makes no comment on the costings estimated for public bodies to implement the national food strategy and making local food plans¹² except to note these are additional costs currently not planned for in the Welsh Government's budget. It is not clear from the Explanatory Memorandum whether the Bill proposer has engaged in detail with public bodies about the cost estimates or how they would be funded.

Lesley Griffiths MS
Minister for Rural Affairs and North Wales, and Trefnydd
3 February 2023

¹¹ Bill section 4.

¹² Explanatory Memorandum paragraph 387 and Tables 8 and 9.

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Fee Scheme 2023-24

January 2023

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the Senedd under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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Adrian Crompton

Auditor General for
Wales



Lindsay Foyster

Chair, Wales Audit
Office

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Introduction

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.
- 2 This Fee Scheme sets out:
 - the enactments under which we charge audit fees (**Appendix 2**).
 - the arrangements for setting those fees, which comprise either:
 - fee scales that set out fee ranges for particular areas of audit work in local government; or
 - fee rates for work not covered by fee scales.
- 3 Broadly, 66% of our expenditure is funded through fees charged to audited bodies. The remaining 34% is provided from the Welsh Consolidated Fund (WCF) through the budget motion passed by the Senedd.
- 4 Legislation requires that the fees we charge a body **may not exceed** the full cost of exercising at that body the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work. Our fee rates are set at a level to recover the estimated full cost but no more.
- 5 We went beyond the statutory fee consultation requirements and, in August 2022, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2023-24.
- 6 This consultation discussed:
 - a proposed average increase in our fee rates of 5.5%;
 - potential increases of 12 to 18% in our audit of accounts fee scales associated with the implementation of a revised auditing standard, ISA315; and
 - a proposed switch of some funding for local Performance Audit work from fees to the WCF to facilitate more cross sectoral thematic reviews.

- 7 We received 17 responses which told us that:
 - the 5.5% increase in our fee rates and, in particular, the 12-18% increase in our audit of accounts fee scales would be challenging for those bodies whose own budgets were not increasing at the same level and who were facing the same cost of living pressures as Audit Wales;
 - audited bodies do value the work that we do and recognise that implementation of ISA315 is unavoidable;
 - the timescale for the consultation, driven by the requirement to include a draft Fee Scheme within our Estimate, was difficult for some bodies;
 - there were no particular concerns with the proposal to switch funding for local Performance Audit work from fees to the WCF from audited bodies; and
 - we would need to work closely with the Welsh Government to confirm both the quantum and impact of the proposed switch.
- 8 The Board has reflected on these responses and has responded by re-considering the proposed increase in fee rates, reducing the proposed increase from 5.5% to 4.8%.
- 9 We will work closely with audited bodies to mitigate the impact of the implementation of ISA315 on their audit fee and our Engagement Directors will discuss audit-specific fees with each body as we approach the next audit year.
- 10 The Welsh Government was unable to confirm, prior to submission of our Estimate, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless and therefore we will not be making this change for 2023-24.
- 11 We also plan to continue to provide access to the National Fraud Initiative and our GPX events at no cost to participating bodies.

Fee rates and fee scales

Fee rates 2023-24

- 12 As set out in our consultation on proposed fees in August 2022, we need to recognise cost of living pressures on our staff and have made provision for pay increases in line with the rest of the public sector. Where possible we have mitigated inflationary pressures by identifying savings on non-pay budgets such as accommodation and travel, with savings of over £2 million over the next five years being identified.
- 13 We continue to make significant investment in audit quality to respond to recent UK-wide reviews¹ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 14 Taking these factors together means that we need to increase our fee rates by an average of 4.8% in 2023-24 – a reduction as compared to the proposed 5.5% increase set out in our consultation paper.
- 15 Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

1 Competition and Markets Authority Review, Kingma's Review; and Brydon Review

Exhibit 1: proposed fee rates 2023-24

Grade	Rate (£ per hour) 2023-24	Rate (£ per hour) 2022-23
Audit Director	168	163
Audit Manager	129	122
Audit Lead	106	100
Senior Auditor	85	84
Auditor	61	60
Graduate trainee	55	51
Apprentice	40	39

- 16 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.

Local Government Fee scales 2023-24

- 17 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 18 We are required to prescribe fee scales for:
- work relating to the audit of local government bodies;
 - work under the Local Government (Wales) Measure 2009² (fire and rescue authorities only);
 - work under the Local Government and Elections (Wales) Act 2021; and
 - data-matching work (NFI).
- 19 Fee scales for the audit of the 2022-23 financial accounts, together with fee-funded performance audit work to be undertaken in 2023-24, are provided in **Appendix 3** in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 20 A separate fee scale is provided in relation to the NFI.
- 21 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 22 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.

2 The Local Government (Wales) Measure 2009 is in a process of phased repeal as various provisions of the Local Government and Elections (Wales) Act 2021 commence.

ISA315 implementation

- 23 As set out in the August consultation, our audits for accounts ended 31 March 2023 will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard will have significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit. It is expected that audits – particularly in the first year of implementation (2022-23 audits) – will require us to use more qualified staff to deal with the higher level of judgement necessitated by the standard.
- 24 Our initial assessment of the impact of this richer skills mix is an average increase in the fee scales for our financial audit work of between 12% and 18%. This is an estimate at this point and will be reviewed following the implementation of our revised approach in the first half of 2023. We are aware that private sector audit firms have written to clients informing them that fees are likely to increase by up to 20%, as a result of this new requirement.

Local performance audit work

- 25 Our consultation exercise discussed the potential to switch an element of funding for local performance work at 22 principal councils and seven health boards to facilitate the delivery of more thematic and cross sectoral reviews.
- 26 The Welsh Government was unable to confirm, prior to submission of our Estimate, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless. The fee scales set out in **Appendix 3** therefore do not reflect this change.

Charging of fees

- 27 Each body's Engagement Director will explain the skills mix needed for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 28 Audited bodies are expected to pay our invoices within their performance target for creditor payments, which is usually ten days. We may charge for the administrative costs incurred in pursuing late payments.
- 29 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 30 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



Appendices

- 1 Public Audit (Wales) Act 2013 – full text of section 24**
- 2 List of enactments under which the Wales Audit Office may and must charge fees**
- 3 Fee scales from 1 April 2023**

1 Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
 - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount;
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - (a) include different provision for different cases or classes of case; and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
 - (a) must review the scheme at least once in every calendar year;
 - (b) may revise or remake the scheme at any time; and
 - (c) must lay the scheme (and any revision to it) before the National Assembly^[3].

3 The extant legislation refers to the 'National Assembly' despite the change in name to 'Y Senedd/The Welsh Parliament'.

- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
 - (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
 - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees) to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

2 List of enactments under which the Wales Audit Office may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004

Nature of work	Enactments
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998 Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013
The Wales Audit Office must prescribe fee scales for the following activities	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government and Elections (Wales) Act 2021

3 Fee scales from 1 April 2023

Fee scales for work undertaken under the National Fraud Initiative (NFI)

- 31 We are required to consult on and prescribe scales of fees for data matching for mandatory participants in the NFI. The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 32 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments. Our last biennial report identified potential savings and over-payments of £8 million across Wales’s public services, increasing cumulative savings to £42.9 million since 1996.
- 33 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and simplifies arrangements for mandated participants.
- 34 As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2023-24
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards.	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

Fee scales for unitary authorities

35 Our audit of accounts fee scale takes account of the expected additional resources required for the implementation of ISA315 on the audit of 2022-23 accounts. We will be working with audited bodies to mitigate additional costs where possible.

Exhibit 3: fee scale for the audit of 2022-23 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	135	159	183	139
200	163	191	220	167
300	181	213	245	186
400	196	230	265	200
500	208	244	281	213
600	218	257	295	223
700	227	267	307	233
800	235	277	319	241
900	243	286	329	249
1,000	250	294	338	256
1,100	256	302	347	262
1,200	262	309	355	268

Exhibit 4: fee scale for 2023-24 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	105	112	126	105

Fee scales for local government pension funds**Exhibit 5: fee scale for audit of 2022-23 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	36	48	57	41

Fee scales for fire and rescue authorities**Exhibit 6: fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	40	47	54	41
40	48	56	65	49
60	53	63	72	54
80	57	68	78	59
100	61	72	82	62

Exhibit 7: fee scale for 2023-24 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	17	17	17	17

Fee scales for national park authorities**Exhibit 8: fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	25	29	33	25
4	30	35	40	30
6	33	39	45	34
8	36	42	48	36
10	38	44	51	39

Exhibit 9: fee scale for 2023-24 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	22	26	21

Fee scales for police and crime commissioners

- 36 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: fee scale for audit of 2022-23 accounts

Combined Gross Expenditure of PCC and CC £ million	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	68	78	89	69
100	80	93	106	81
150	88	102	117	90
200	95	110	125	96
250	100	116	133	102
300	105	122	139	106
350	109	126	144	111

Fee scales for town and community councils with annual income or expenditure under £2.5 million

- 37 Town and community councils in Wales are subject to a limited assurance audit regime.
- 38 In October 2020, the Auditor General published a paper setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 39 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on page 7.
- 40 In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor’s concerns.
- 41 It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The range of fees provided in **Exhibit 12** is for indicative purposes only.

Exhibit 12: estimated time charges for the audit of 2022-23 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£150 – £183	£170 – £200	£230 – £282	£356 – £435	£635 – £760	£845 – £1,090
Limited procedures	£110 – £130	£136 – £162	£136 – £162	£210 – £250	£210 – £250	£210 – £250

Fee scales for other work in local government

- 42 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a few other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 43 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 44 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.
- 45 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

- 46 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 47 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work

Grade of staff	Complex grants staff mix %	All other grants staff mix %
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers’ pensions return



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Reference: LF23002/AC/346/caf
Date issued: 2 February 2022

Dear Peredur

Wales Audit Office Fee Scheme 2023-24

We have identified an error in one of the exhibits in our Fee Scheme for 2023-24 which the Committee approved on 12th January 2023.

As a result, the fee scale for performance audit work at unitary authorities was overstated in the approved Fee Scheme and needs to be corrected.

The original and corrected scales for Exhibit 4 in Appendix 3 are set out below and revised documents have been laid with the Table Office.

Exhibit 4: fee scale for 2023-24 performance audit work

	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
Approved	137	146	164	105
Correction	105	112	126	105

We should be grateful if you could consider and approve this revised scheme.

Yours sincerely



LINDSAY FOYSTER
Cadeirydd, Swyddfa Archwilio Cymru



ADRIAN CROMPTON
Archwilydd Cyffredinol Cymru